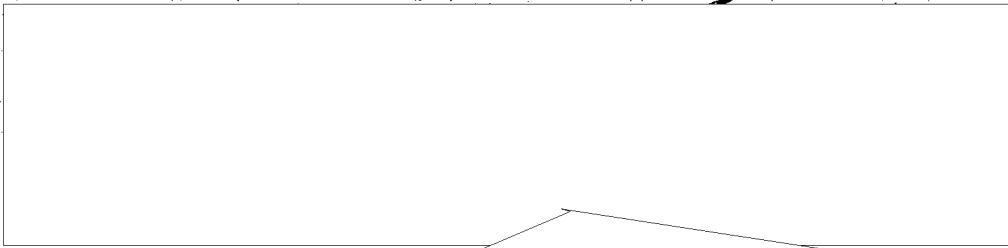


file
Rosenthal
10 MAY 1982

BACKGROUND

The House Government Operations Subcommittee on Commerce, Consumer, and Monetary Affairs has scheduled a meeting tomorrow (29 April) at 1000 hours to consider H. Res 433 (attached), the operative effect of which would be the public release of 17 sensitive CIA documents concerning OPEC investment within the United States. While we have been totally forthcoming with Subcommittee Chairman Benjamin Rosenthal (D., NY) in providing all requested documents, we have consistently maintained our position that public release of this classified information would dry up sensitive intelligence sources. This position has been underscored by President Reagan himself in a letter dated 17 February 1982 (attached).

Your intercession via telephone call to the six Members listed below is, we believe, critical in terms of thwarting further Full Committee and possibly Full House action on the Resolution. We have provided a talking points paper (attached) for your convenience in making the phone calls.



STAT

STAT

STAT

TALKING POINTS

o CIA and other Intelligence Community entities have been--for the past three years--fully forthcoming re provision of requested documents to the Rosenthal Subcommittee.

o The most recent request by the Subcommittee concerns 17 highly sensitive finished intelligence reports re OPEC investments within the United States.

o The 17 documents in question we provided remain classified. In order to accommodate the Subcommittee, senior Agency officials conducted declassification reviews on two separate occasions. Nevertheless, certain portions of the documents remain sensitive and cannot be declassified further.

o Unauthorized public release of these documents via House passage of H. Res. 433 would severely damage our national security interests and dry up sensitive sources of intelligence.

o This is not a question of our not having provided requested information within the Subcommittee's jurisdiction. The Subcommittee has had full access to all information requested. Rather, it is a matter of grave concern that if a Committee of Congress makes this information public, the result will be that sensitive sources who have provided this information on the basis of confidentiality will dry up.

o The President himself has taken this position in his letter to the Chairman dated 17 February 1982.

o We would appreciate your support by voting against the approval of the Resolution in tomorrow's Subcommittee meeting.

82-02366

THE WHITE HOUSE

WASHINGTON

February 17, 1982

Dear Mr. Chairman:

Thank you for your letter dated February 9, 1982, concerning your desire to make public certain CIA reports in your possession.

Director of Central Intelligence Casey informs me that he instructed a group of senior officials within the CIA and Departments of State and Treasury to conduct a second declassification review of the documents at issue, after your respective staffs were unable to agree following an earlier declassification review. The Director informed you on February 11, 1982, of the results of this second review, which identifies additional portions of these reports that may be declassified.

However, based both on the reasons cited in the Director's letter to you and its attachments and on the advice of my immediate staff who have reviewed this matter, I object to the disclosure of that information identified by the Director as requiring classification in the interest of national security. I certify that the disclosure of this information would be likely to cause grave injury to our foreign relations or would compromise sources and methods of intelligence gathering. Further, the public interest in avoiding such injury outweighs any public interest served by disclosure.

MAR 9 1 54 PM '82

ER

-2-

I want to stress, however, that this determination in no way restricts the subcommittee's current, complete access to the full texts of these reports. This access certainly should permit pursuit of any legislation that may, in your view, be suggested by your inquiry. Disclosure of the deletions from these reports would only serve to damage the same public interest that such legislation would seek to advance.

Thank you for your cooperation in this matter.

Sincerely,

Ronald Reagan

The Honorable Benjamin S. Rosenthal
Chairman, Subcommittee on Commerce,
Consumer and Monetary Affairs
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

Distribution by Exec Sec, CIA

- 1 - DCI
- 1 - DDCI
- 1 - EXDIR
- 1 - DDO
- 1 - DDI
- 1 - D/OEA
- 1 - OGC
- 1 - OGI
- 1 - Exec Registry

IV

97TH CONGRESS
2D SESSION

H. RES. 433

To authorize the disclosure of certain classified documents relating to foreign investment in the United States.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 1982

Mr. ROSENTHAL submitted the following resolution; which was referred to the Committee on Government Operations

RESOLUTION

To authorize the disclosure of certain classified documents relating to foreign investment in the United States.

Whereas the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations has been examining since 1979 the public policy consequences of foreign investment in the United States, including investments by member nations of the Organization of Petroleum Exporting Countries (OPEC), and the appropriate Federal response to such investments;

Whereas the subcommittee and the Central Intelligence Agency (CIA) entered into an agreement on July 12, 1979, governing the procedures for subcommittee use and public release of classified documents relating to OPEC country surpluses and investments;

Whereas the agreement provides that, in the event that the subcommittee and the CIA cannot resolve a dispute concerning disclosure of information, and the President objects to the disclosure, the subcommittee is required to obtain the permission of the House of Representatives to make that disclosure;

Whereas the subcommittee has custody of seventeen CIA documents of significant importance dealing with (1) the difficulties of recycling OPEC surpluses; (2) the worldwide distribution and placement of OPEC surpluses; (3) OPEC country investment patterns and strategies; and (4) the impact of OPEC investments on United States national interests, none containing country-by-country data on OPEC investments in the United States;

Whereas the subcommittee and the CIA have reached an impasse on declassification for public release of these seventeen CIA documents; and the President on February 17, 1982, objected in writing to a subcommittee request to declassify the documents, with deletions to protect intelligence methods and sources;

Whereas these seventeen documents present the most thorough analysis within the Federal Government of OPEC investments and their impact on United States national interests, and express concerns not expressed by other Federal agencies; and

Whereas without these documents the public and the Congress will receive a one-sided executive branch view of the nature, distribution, and impact of OPEC country surpluses and investments: Now, therefore, be it

- 1 *Resolved*, That the House of Representatives finds that
- 2 release of these documents is in the public interest and is

3

1 essential to a full public understanding of the important issues
2 surrounding OPEC government investments in the United
3 States and concurs in the release of the documents by the
4 Subcommittee on Commerce, Consumer, and Monetary Af-
5 fairs, pursuant to the agreement of July 12, 1979, with dele-
6 tions made by the subcommittee only to protect specific intel-
7 ligence sources and methods.

○

A12

Tuesday, April 27, 1982

THE WASHINGTON POST

House Panel May Confront Reagan Over Secrecy of CIA Studies

By George Lardner Jr.
Washington Post Staff Writer

A House subcommittee may confront President Reagan on a question of secrecy this week by pressing for publication of CIA documents on the extent of Arab investments in the United States.

Reagan has formally refused to permit disclosure of the studies on the grounds that their release "would be likely to cause grave injury to our foreign relations or would compromise sources and methods of intelligence gathering."

Rep. Benjamin S. Rosenthal (D-N.Y.), the subcommittee chairman, fired back last week by introducing a resolution calling on the House to overrule Reagan and authorize publication with only a few deletions to protect "specific intelligence sources and methods."

Rosenthal and his aides contend that the degree of secrecy the administration has insisted upon is "ludicrous." They say most of the documents consist of analytical studies similar to those regularly published by private institutions such as the Chase Manhattan Bank.

The dispute, if it reaches the floor, would constitute the first such showdown since

1976, when the House sided with the Ford administration and voted to suppress its own Intelligence Committee's controversial and heavily leaked report on misdeeds of the CIA.

Rosenthal hopes to win the first test in his Government Operations subcommittee on monetary affairs, possibly on Thursday. "I think it's going to be a very, very close vote," he said. "But I think thoughtful members will vote to sustain our position."

At issue are 17 studies, dating back to 1974, with titles such as "Problems With Growing Arab Wealth" and "Kuwait: Awash With Oil Money."

Three of the reports, including a 1980 article entitled "OPEC: Official Foreign Assets Mount Rapidly," have been completely suppressed by the CIA so far.

Rosenthal contends that the CIA studies are especially important because they "shed light on subjects often shrouded in mystery," such as "the potential for increasing OPEC government influence in the United States."

The State and Treasury departments, by contrast, have repeatedly asserted "that there is no basis for concern in the recycling of petrodollars in this country."

Rosenthal's subcommittee has been studying

the foreign investment issue for two years. Official estimates have put total foreign investment in the United States at about \$65 billion by the end of 1980, but expert witnesses have told the subcommittee that holdings by Saudi Arabia, Kuwait and other Arab members of the Organization of Petroleum Exporting Countries could themselves be two to three times greater, between \$150 and \$200 billion.

According to Rosenthal, U.S. policy toward OPEC investment, almost all of it tax-free, was shaped by a decision in 1974 by Treasury Secretary William E. Simon to offer Saudi Arabia, Kuwait, and other Arab OPEC nations "a pledge of secrecy in exchange for their commitment to make large investments in the United States."

In any case, Treasury and State documents obtained by the subcommittee reflect a distaste for financial disclosure on the part of unnamed Middle Eastern governments and a ready deference on the part of U.S. officials.

For instance, one report printed by the subcommittee, evidently a Treasury Department document about "deleted" Saudi assets in the United States and foreign branches of U.S. banks, was clearly stamped

"SECRET." Such a classification constitutes an assertion that unauthorized disclosure of such details "reasonably could be expected to cause serious damage to the national security."

Subcommittee counsel Stephen R. McSpadden said that when the inquiry started in 1979 the CIA wanted "complete veto power" over what CIA documents the subcommittee could publish, but the agency eventually settled for the same kind of agreement it uses with House and Senate intelligence committees.

Under that arrangement, CIA Director William J. Casey agreed last September to arrange for declassification review of the 17 documents in question, but the review was not completed until mid-January.

Unhappy with what he calls "excessively arbitrary" deletions, Rosenthal protested first to Casey and then, as the agreement provided, to the president.

In a Feb. 9 letter to Reagan, Rosenthal noted that the subcommittee had already reluctantly agreed not to insist on "country-by-country" breakdowns on OPEC investments in the United States. He agreed that some further deletions were needed to protect sources, but he argued that the CIA was

going much further and trying "to prevent public disclosure of important but non-sensitive CIA research and prognostications" about OPEC surpluses and investments.

The New York Democrat said the CIA reports constitute "the best analysis with the federal government on the critical public policy issues" involved, in contrast to the benign views taken by State and Treasury.

"Without the CIA documents, the public will get a distorted and one-sided Executive Branch view of the nature, extent and impact of such investment," Rosenthal said.

Reagan replied Feb. 17 with a two-page letter affirming the CIA's stance. He had also concluded that the likely damage "outweighs any public interest served by disclosure."

Rosenthal said he was "disappointed" but not surprised by the president's response. As provided in the agreement with the CIA, the subcommittee chairman filed his resolution Wednesday seeking "leave of the House" to publish the reports anyway.

Subcommittee staffers, meanwhile, prepared a six-page summary of the documents at issue to circulate to members in preparation for Thursday's meeting. The CIA stamped it "SECRET."

OPEC Said to Help Price Slide

OPEC

The new market, primarily single-

vided for a cut in OPEC output by a total of 700,000 barrels a day and

OPEC's weakest link and the most likely country to reduce its price.